

General Fund Summary: FY 2005 - FY 2006

FISCAL YEAR 2005		
REVENUES	Budget Request	Governor's Rec.
1. Beginning Balance	\$ 100,244,100	\$ 100,244,100
2. FY 2005 Revised Estimate (7.8%)	1,973,727,000	1,973,727,000
3. HB 400a - Increase Sales Tax from 5% to 6%	183,138,000	183,138,000
4. Internal Revenue Code compliance	1,100,000	1,100,000
5. Transfer to Water Resources Devel. Fund	(500,000)	(500,000)
6. Transfer to Budget Stabilization Fund	(20,971,000)	(20,971,000)
7. Transfers for Deficiency Warrants (fires, pests, etc)	(6,400,900)	(4,800,900)
8. TOTAL REVENUES	\$2,230,337,200	\$2,231,937,200
APPROPRIATIONS		
9. Original Appropriations	\$2,082,138,300	\$2,082,138,300
10. Reappropriations	1,820,700	1,820,700
11. Plus one-time salary increase (1%)	5,001,000	5,001,000
12. Less Executive Budget Rescission	0	(2,124,300)
Supplementals:		
13. Medicaid provider rates & utilization	15,457,900	15,457,900
14. Corrections, inmate growth	5,277,500	5,224,700
15. All other	7,825,400	7,086,700
16. TOTAL ESTIMATED EXPENDITURES	\$ 2,117,520,800	\$ 2,114,605,000
17. ESTIMATED ENDING BALANCE	\$ 112,816,400	\$ 117,332,200
FISCAL YEAR 2006		
REVENUES	Budget Request	Governor's Rec.
18. Beginning Balance	\$ 112,816,400	\$ 117,332,200
19. FY 2005 baseline estimate (5.1%)	2,076,618,000	2,076,618,000
20. HB 400a - Sales tax increase (one month)	13,448,000	13,448,000
21. Transfer from Economic Recovery Fund	21,194,100	21,194,100
22. Other adjustments (IRS Code & Cig tax)	(1,600,000)	(1,600,000)
23. TOTAL REVENUES	\$ 2,222,476,500	\$ 2,226,992,300
APPROPRIATIONS		
24. FY 2005 Estimated Expenditures	\$ 2,117,520,800	\$ 2,114,605,000
25. Removal of one-time expenditures	(15,238,600)	(15,610,500)
26. FY 2006 Beginning Base	\$ 2,102,282,200	\$ 2,098,994,500
MCO Cost Increases:		
27. Personnel benefits (health care, PERSI)	8,598,000	6,739,400
28. Inflationary increases for operating expenses	4,284,400	0
29. Replacement capital outlay	10,718,400	3,329,700
30. CEC (1% multiplier)	5,133,400	5,133,400
31. Public Schools; Base Salary Increase	24,022,200	8,007,400
32. 27th pay period (one-time)	16,451,000	15,315,000
33. Medicaid cost, caseload & utilization increase	29,299,900	11,076,400
34. Medicaid match rate increase (fund shift)	6,551,800	6,551,800
35. Public Schools; statutory formula increases	24,361,100	17,307,100
36. Higher Education enrollment adjustment	3,402,700	3,402,700
37. Higher Education occupancy costs	1,809,100	666,900
38. Higher Ed; replace student fees for inflationary costs	3,496,100	2,773,500
39. All other fund shifts to General Fund	10,596,300	1,980,100
40. All other maintenance of current operations request	10,266,000	10,431,400
41. Subtotal; "Maintenance of Current Operations"	\$ 2,261,272,600	\$ 2,191,709,300
42. Program Enhancements:	70,325,700	30,672,300
43. Grand Total: MCO plus Enhancements	2,331,598,300	2,222,381,600
44. ESTIMATED ENDING BALANCE	\$ (109,121,800)	\$ 4,610,700

General Fund Summary

FISCAL YEAR 2005

Fiscal Year 2005, as shown on the facing summary table, is based upon an executive revenue estimate of 7.8% over FY 2004 actual collections (line 2). In addition to this ongoing baseline revenue projection, there are several adjustments made in lines 4 through 7, including the increased sales tax, Internal Revenue Code compliance, a transfer of \$500,000 to the Water Resources Revolving Development Fund, a transfer of \$20,971,000 to the Budget Stabilization Fund, and a transfer of \$4,800,900 to cover deficiency warrants for fires, pest control and hazardous materials cleanup.

Overall, the FY 2005 spending blueprint recommended by the Governor contains more than enough resources to cover current year expenditures and leave a sizeable year-end balance, even after covering about \$27.0 million in supplemental appropriations. However, this year-end balance is not to be construed as a "surplus", since this estimated year-end balance will be needed to help off-set the impact of the sales tax sunset in FY 2006, estimated at about \$180.0 million.

FISCAL YEAR 2006

The Governor's budget recommendation for Fiscal Year 2006 is predicated on a sizeable carryover balance from the previous year of \$117.3 million, and an ongoing base revenue estimate of 5.1% growth (line 19) over the FY 2005 estimate. Added to this base estimate is one month (June) worth of collections from the temporary sales tax increase that actually fall into FY 2006 (line 20), and a transfer of \$21.9 million from the Economic Recovery Fund, which was established with a one-time deposit from the second year of the temporary cigarette tax increase. The Governor is also recommending that the cigarette tax increase be made permanent with revenues going into the Permanent Building Fund.

On the spending side the Governor is recommending a 6.7% increase over the original FY 2005 appropriation (a 5.1% increase after adding in FY 2005 supplementals). Lines 27 through 40 on the facing page display the "maintenance of current operations" budget items, which include increases for health insurance costs, a 1% Change in Employee Compensation for both state agencies and Public Schools, Higher Education enrollment costs, Public Schools statutory increases, and other inflationary costs requested by state agencies. Perhaps the biggest question mark in the Governor's package is the Medicaid recommendation, which, based on IDHW caseload and utilization data, could be underfunded by at least \$20.0 million for FY 2006.

FY 2006 is the first budget to be developed without the two-year temporary sales tax. As anticipated, the spending plan will require considerable help from one-time cash reserves, which results in a structural deficit. A structural deficit in budget terms simply means that ongoing revenues are less than ongoing expenditure commitments, which in the case of the executive budget recommendation is about \$115.0 million out of balance. The multi-year plan envisioned by the Governor and supported by the Legislature anticipates that economic growth will backfill the loss of the temporary sales tax dollars. While revenue collections to date are very encouraging, the biggest challenge remaining for policy makers is to control spending to the point where erasing the structural deficit is attainable by FY 2007 or FY 2008.